

DISTRICT OF COLUMBIA  
DEPARTMENT OF INSURANCE AND SECURITIES REGULATION

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NOTICE OF FINAL RULEMAKING

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The Commissioner of the Department of Insurance and Securities Regulation (Commissioner), pursuant to the authority set forth in section 12(f) of the Compulsory/No-Fault Motor Vehicle Insurance Act of 1982, effective September 18, 1982, D.C. Law 4-155, as amended by the Compulsory/No-Fault Motor Vehicle Insurance Act of 1982 Amendments Act of 1985, effective March 4, 1985, D.C. Law 6-96, D.C. Code section 35-2111(f)(1997 Repl.), hereby gives notice of the adoption of the following amendments to Chapter 6 (District of Columbia Automobile Insurance Plan) of Title 26 of the District of Columbia Municipal Regulations (DCMR) (Insurance). The new subsections reflect modifications to the District of Columbia Automobile Insurance Plan, published in the D.C. Register on October 22, 1993, 40 DCR 7428, and May 3, 1996, 43 DCR 2306. Notice of Proposed Rulemaking was published in the D.C. Register at 47 DCR 8125 (October 6, 2000). This final rulemaking will be effective when published in the D.C. Register.

CHAPTER 6 MOTOR VEHICLE INSURANCE: DISTRICT OF COLUMBIA  
AUTOMOBILE INSURANCE PLAN

A new subsection 605.5 is added as follows:

605.5 This subsection is applicable to risks assigned under the Plan's private passenger nonfleet quota distribution. Groups of companies not under common ownership or management may form a Limited Assignment distribution (LAD) arrangement. Each LAD arrangement must have one servicing company which writes assigned risk business on behalf of those members of the arrangement which choose to buy-out from their private passenger quotas.

(a) LAD servicing companies serve at the pleasure of the Governing Committee and must meet the following eligibility requirements:

- (1) Write at least 1% of the voluntary car years written in the District of Columbia;
- (2) Have at least a \$10,000,000 surplus; and

- (3) Certify to the Governing Committee its ability to service the LAD contract(s).

The Governing Committee has the option to consider a LAD servicing company application from a company writing less than 1% of District of Columbia voluntary car years. Such appointment as a LAD servicing company is subject to approval by the Governing Committee.

- (b) Companies that write 5% or less of District of Columbia voluntary car years may buy-out from their quotas. The Governing Committee has the option to consider a buy-out arrangement for a company writing over 5% of District of Columbia voluntary car years. Such buy-out is subject to approval by the Governing Committee. However, the Governing Committee has the option to reverse this approval for any circumstances warranted for the benefit of the Plan.
- (c) The Governing Committee will approve all LAD contractual agreements between servicing companies and buy-out companies without the actual contract fee. The contract must contain provisions agreed upon by the servicing company and the buy-out company regarding the buy-out company's Plan renewal business, and the obligations of the buy-out company with respect to the three-year assignment period.

The contract may start on a date which the Plan, the buy-out company, and the servicing company specify, and shall run to the end of that calendar year. Contracts are renewable each calendar year by agreement of the buy-out company and servicing company.

- (d) The fee to be paid by the buy-out company to the servicing company shall be established by negotiation between the two parties.
- (e) Once the Governing Committee has approved the LAD contractual agreement between the servicing company and the buy-out company, the Plan will send all assignments for all companies in that LAD arrangement to the servicing company. Annually, the Plan will indicate how much of the LAD servicing company's arrangement business was needed to fulfill each buy-out company's quota. Any over/under assignment of the companies in the LAD arrangement will be attributed to the servicing company.

A new subsection 605.6 is added as follows:

- 605.6 This subsection is applicable to all other risks assigned under the Plan's other than private passenger nonfleet quota distribution. Groups of companies not under common ownership or management may form a

Commercial Limited Assignment Distribution (CLAD) arrangement. Each CLAD arrangement must have one servicing company which writes assigned risk business on behalf of those members of the arrangement which choose to buy-out from their all other quotas.

- (a) CLAD servicing companies serve at the pleasure of the Governing Committee and must meet the following eligibility requirements:
- (1) Write at least 1% of the voluntary all other automobile liability net direct written premiums in the District of Columbia;
  - (2) Have at least a \$10,000,000 surplus to policyholders;
  - (3) Have a satisfactory record of compliance with the company performance standards in Section 629;
  - (4) Have no restrictions as to the classes of risk, types of coverage, or limits of liability it may be assigned;
  - (5) Have the ability to make, maintain, and cancel all certificates of insurance and filings required by law;
  - (6) Have the ability to service claims in every state, the District of Columbia, and Canada; and
  - (7) Has obtained prior approval from the Plan Governing Committee.

The Governing Committee has the option to consider a CLAD servicing company application from a company writing less than 1% of District of Columbia voluntary all other automobile liability net direct written premiums. Such appointment as a CLAD servicing company is subject to approval by the Governing Committee.

- (b) Companies that write 5% or less of District of Columbia voluntary all other automobile liability net direct premiums may buy-out from their quotas.

The Governing Committee has the option to consider a buy-out arrangement for a company writing over 5% of District of Columbia voluntary all other automobile liability net direct premiums. Such buy-out is subject to approval by the Governing Committee. However, the Governing Committee has the option to reverse this approval for any circumstances warranted for the benefit of the Plan.

- (c) The Governing Committee will approve all CLAD contractual agreements between servicing companies and buy-out companies without the actual

contract fee. The contract must contain provisions agreed upon by the servicing company and the buy-out company regarding the buy-out company's Plan renewal business, and the obligations of the buy-out company with respect to the three-year assignment period.

The contract may start on a date which the Plan, the buy-out company, and the servicing company specify, and shall run to the end of that calendar year. Contracts are renewable each calendar year by agreement of the buy-out company and servicing company.

- (d) The fee to be paid by the buy-out company to the servicing company shall be established by negotiation between the two parties.
- (e) Once the Governing Committee has approved the CLAD contractual agreement between the servicing company and the buy-out company, the Plan will send all assignments for all companies in that CLAD arrangement to the servicing company. Annually, the Plan will indicate how much of the CLAD servicing company's arrangement business was needed to fulfill each buy-out company's quota. Any over/under assignment of the companies in the CLAD arrangement will be attributed to the servicing company.

A new section 617.4 is added as follows:

- 617.4 The three-year assignment period shall not apply to policies written prior to the implementation of Section 605.5 Limited Assignment Distribution Procedure and 605.6 Commercial Limited Assignment Distribution Procedure by a subscriber which has elected to be an excused company in accordance with the provisions of Sections 605.5 and 605.6.

Persons desiring to comment on these proposed rules should submit Comments in writing to Ms. Catherine Powell, Department of Insurance and Securities Regulation, Office of Legal Affairs, 810 First Street, N.E., Suite 701, Washington, D.C. 20002, not later than thirty (30) days after publication of this Notice in the D.C. Register. Copies of these rules and related information may be obtained by writing to the address stated above.